

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 /111 W
-----012567 040659Z /17

R 032338Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 1023

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USOECD

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, OECD
SUBJECT: DISCUSSION AT MAY 24 MEETING OF EPC/TWP
CONCERNING POSSIBLE TERMINATION OF EXCHANGE GUARANTEE
AGREEMENT AND OF COMMITTEE FOR MONETARY AND FOREIGN
EXCHANGE MATTERS

REF: (A) C(78)56, (B) PARIS 26694, (C) 75 PARIS
17054, (D) PARIS 9063

1. OECD COUNCIL DOCUMENT ISSUED APRIL 20 (REF A)
RECALLS THAT, AT END 1975, COUNCIL AGREED TO DECISION
BY CENTRAL BANKS OF 18 OECD COUNTRIES TO SUSPEND FOR
THREE YEARS OPERATIONS OF THE EXCHANGE GUARANTEE
AGREEMENT ESTABLISHED IN 1972 UPON TERMINATION OF THE
EUROPEAN MONETARY AGREEMENT (EMA). THAT 1975 COUNCIL
DECISION -- C(75)134, WHICH IS APPENDED TO REF A --
ALSO SUSPENDED THE COMMITTEE FOR MONETARY AND FOREIGN
EXCHANGE MATTERS (CMX), WHICH HAD BEEN ESTABLISHED
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UPON TERMINATION OF THE EMA CHIEFLY TO PROVIDE SMALLER
OECD COUNTRIES (NON-MEMBERS OF EPC/WP3) WITH A FORUM
TO DISCUSS INTERNATIONAL MONETARY MATTERS. C(75)134
IN TURN CONTAINS REFERENCES TO KEY OECD DOCUMENTS
RELATING TO 1972 DECISIONS, AND REFS B AND C PROVIDE
BACKGROUND TO ADOPTION OF CMX REPORT IN 1975 RECOM-
MENDING SUSPENSION OF EXCHANGE GUARANTEE AND CMX.

COPIES OF REF A WERE MAILED EARLIER DEPARTMENT/EUR/RPE
(GELBARD) AND TREASURY (KLOCK).

2. PURPOSE OF REF A IS: (A) TO DRAW ATTENTION OF
MEMBER COUNTRIES TO PROXIMITY OF END OF THREE-YEAR
PERIOD OF SUSPENSION OF EXCHANGE GUARANTEE ARRANGEMENT
(TO WHICH U.S. IS NOT A PARTY) AND OF CMX; (B) TO
NOTE THAT QUESTION WILL BE ON AGENDA OF MAY 24
MEETING OF TEMPORARY WORKING PARTY OF ECONOMIC POLICY
COMMITTEE AND (C) TO INVITE SECGEN TO REPORT TO
COUNCIL RESULTS OF TWP'S DISCUSSION. REF A NOTES
THAT THE PROPOSED EXCHANGE OF VIEWS AT TWP MEETING
"WOULD PROVIDE AN OPPORTUNITY IF ANY DELEGATION
WISHED TO EXPRESS A VIEW AS TO WHETHER THESE SUSPEN-
SION PROVISIONS SHOULD BE MAINTAINED OR WHETHER THE
COMMITTEE SHOULD BE CLOSED DOWN".

3. SECRETARIAT HAS ACCEDED TO MISSION'S SUGGESTION
THAT IT PUT DOCUMENT ON COUNCIL'S AGENDA UNDER
WRITTEN PROCEDURE -- PARTLY TO DEFLECT SMALLER COUNTRIES
FROM SUBSTANTIVELY COMMENTING ON THESE QUESTIONS PRIOR
TO CONSIDERATION OF THEM IN TWP AND PARTLY BECAUSE
DOCUMENT IS FOR INFORMATION RATHER THAN BASIS FOR
DECISION (WHICH WILL BE REQUIRED LATER). IF ANY
MEMBER OBJECTS TO WRITTEN PROCEDURE, WE WILL ADVISE
DATE OF EXECUTIVE COMMITTEE AND COUNCIL CONSIDERATION.
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ACTION REQUESTED: UNLESS OTHERWISE INSTRUCTED,
MISSION AT TWP (AND IF NECESSARY AT EXECUTIVE COMMITTEE
AND COUNCIL) WILL FAVOR DEFINITIVE TERMINATION OF
EXCHANGE GUARANTEE ARRANGEMENT AND OF CMX.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, COMMITTEE MEETINGS, FOREIGN EXCHANGE RATES, MONETARY AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS14367
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780190-0051
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780597/aaaadezi.tel
Line Count: 99
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f92f23a5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 26694, 75 PARIS 1
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2804153
Secure: OPEN
Status: NATIVE
Subject: DISCUSSION AT MAY 24 MEETING OF EPC/TWP CONCERNING POSSIBLE TERMINATION OF EXCHANGE GUARANTEE AGREEMENT AND OF COMMITTEE FOR MONETARY AND FOREIGN
TAGS: EFIN, EGEN, OECD
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/f92f23a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014